

**ST. CLAIR COUNTY COMMUNITY MENTAL  
HEALTH AUTHORITY  
Port Huron, Michigan**

**ANNUAL FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2007**

Stewart,  
Beauvais  
& Whipple P.C.

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CERTIFIED PUBLIC ACCOUNTANTS



# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

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## INDEPENDENT AUDITOR'S REPORT

To the St. Clair County Community  
Mental Health Authority  
Port Huron, Michigan

We have audited the accompanying basic financial statements of the St. Clair County Community Mental Health Authority, a component unit of St. Clair County, Michigan, as of and for the year ended September 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the St. Clair County Community Mental Health Authority's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

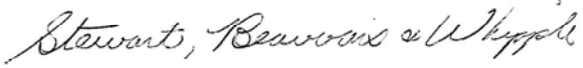
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the St. Clair County Community Mental Health Authority as of September 30, 2007, and the results of its operations for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2008 on our consideration of the St. Clair County Community Mental Health Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of the St. Clair County Community Mental Health Authority's basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Certified Public Accountants

May 16, 2008

**Annual Financial Statements  
For the Year Ended September 30, 2007**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This *Management's Discussion and Analysis* has been written by the management team of the St. Clair County Community Mental Health Authority. We offer readers of these financial statements this analysis of the financial activities of the Authority for the fiscal year ended September 30, 2007. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This Management Discussion and Analysis (MDA) is intended to provide a basis of understanding of the St. Clair County Community Mental Health Authority's basic statements. These statements comprise three components: (1) governmental-wide financial statements, (2) fund (modified accrual) financial statements, and (3) notes to the financial statements. Supplementary information is also provided for additional information purposes.

In reviewing the financial statements the reader must be cognizant of two important budgetary areas. (1) The St. Clair County CMHA operates a region-wide Medicaid program, which consists of revenues and expenses for the **Thumb Alliance PIHP Bureau** of the St. Clair County CMHA. As such, the PIHP's financial statements reflect the financial status of the PIHP (central administration and Access Center); and include the revenues / expenditures for the entire Thumb Alliance provider network, including the PIHP's subcontracts with its major Comprehensive Specialty Services Networks (i.e. CMHs) for Medicaid services, including the St. Clair County CMHA and its subnetwork providers and the providers of Medicaid SUD services. (2) The St. Clair County CMHA also operates a **Program Operations Bureau**, which manages programs and services only germane to St. Clair County. Funding for these "St. Clair County only" programs and services include Medicaid funding received from the PIHP, along with funding from other sources such as Michigan's General Funds (GF); Adult Benefit Waiver (ABW) program; MI-Child program, and local county funds. As such, the supplementary financial report is broken down into the Thumb-Alliance PIHP provider component, and those financial statements that pertain only to programs and services offered in St. Clair County with an eliminations column for revenues and expenses that are duplicated.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the St. Clair County Community Mental Health Authority's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the St. Clair County Community Mental Health Authority's assets and liabilities, with the differences between the two reported as net assets. Overtime, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., unused vacation and sick).

### **Fund (Modified Accrual) Financial Statements**

Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds (modified accrual) statements with similar information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions.

The St. Clair County Community Mental Health Authority adopts an annual appropriated budget for the operating fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund (modified accrual) financial statements.

## **FINANCIAL HIGHLIGHTS**

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As shown on the chart below, the Authority's assets exceeded liabilities by \$11,148,300 at the end of the fiscal year.

The net assets are separated into three major components: (1) investment in capital assets which amounted to \$3,124,085 or 28% of net assets (2) restricted net assets of \$5,001,743 or 44.9% and (3) unrestricted net assets of \$3,022,472 or 27.1%. The restricted net assets are dollars set-aside from state and federal Medicaid funding, which is subject to external restrictions on how it may be used, to provide protection from expected and unexpected cost fluctuations related to its managed care risk contract with the Michigan Department of Community Health.

When comparing this fiscal year to the previous year, net assets have increased by \$1,167,023 (\$1,320,428 from operations and (\$153,405) for accounting change), which is 1.5% of annual revenues.

<u>Statement of Net Assets</u>	<u>FY 2007</u>	<u>FY 2006</u>
Current and other unrestricted assets	\$ 20,772,995	\$ 12,146,893
Restricted assets	6,428,574	6,144,005
Capital Assets	<u>6,086,242</u>	<u>2,573,155</u>
Total Assets	<u>33,287,811</u>	<u>20,864,053</u>
Long-term liabilities outstanding	13,056,116	1,392,810
Other liabilities	<u>9,083,395</u>	<u>9,489,966</u>
Total Liabilities	<u>22,139,511</u>	<u>10,882,776</u>
Net Assets:		
Invested in capital assets, net of related debt	3,124,085	2,573,155
Restricted	5,001,743	4,751,195
Unrestricted	<u>3,022,472</u>	<u>2,656,927</u>
Total net assets	<u>\$ 11,148,300</u>	<u>\$ 9,981,277</u>
<u>Statement of Activities</u>		
Revenues		
Intergovernmental	\$ 73,941,069	\$ 69,761,966
Charges for services	797,066	769,560
Interest and rents	972,337	692,718
Other revenues	<u>50,690</u>	<u>39,684</u>
Total Revenues	<u>75,761,162</u>	<u>71,263,928</u>
Expenses		
Developmental Disability Programs	5,699,816	5,840,404
Mental Illness Programs	9,449,431	8,415,403
Substance Use Disorder	537,612	574,287
Administration and Support Services	5,541,949	4,318,630
Grants	338,058	282,638
PIHP –		
Administration/Access Center	3,756,125	3,814,098
QAAP Tax	3,996,895	3,796,422
Other Alliance Boards	25,233,904	24,528,119
Grants	415,111	210,261
Institutional and State Residential Care	593,800	1,342,931
Contract Agencies	19,526,993	17,663,320
Loss on Disposal of Property	11,682	-
Interest Expense	213,828	-
Depreciation/loss on disposal	<u>277,202</u>	<u>376,039</u>
Total Expenses	<u>75,592,406</u>	<u>71,162,552</u>
Increase (decrease) in net assets before other financing sources and capital contributions	168,756	101,376
County Appropriation	955,672	955,672
Capital Contribution	<u>196,000</u>	<u>-</u>
Increase in net assets	<u>1,320,428</u>	<u>1,057,048</u>
Net assets at beginning of year	9,981,277	8,924,229
Adjustment for change in accounting principle	( 153,405)	-
Restated net assets at beginning of year	<u>9,827,872</u>	<u>8,924,229</u>
Net assets at end of year	<u>\$ 11,148,300</u>	<u>\$ 9,981,277</u>

## **Financial Analysis of Fund (Modified Accrual) Statements**

As noted earlier, the focus of the fund (modified accrual) financial statements is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority reported an ending fund balance of \$6,390,271 which is an increase of \$821,940 from the prior year ending balance. Approximately 41% or \$2,611,004 of the fund balance constitutes unreserved fund balance, which is available for spending at the Authority's discretion; however \$1,300,000 is designated for contingencies and managed care. The remaining fund balance of \$3,779,267 or 59% is reserved to indicate that it is not available for new spending because (1) it is reserved to liquidate vacation and sick pay earned in prior periods and reimbursed by funding sources (2) it is monies advanced to other funds or (3) it is for prepaid expenditures.

The increase in fund balance of \$821,940 is a result of a number of factors. A net increase was realized from excess local revenues of \$900,082. The change in accrued sick and vacation reserve accounted for an increase of \$34,021 and contributions accounted for a \$1,650 increase. Timing differences in recognition of fee revenues accounted for a decrease of \$66,086. Capital asset purchases net of related interest income and other equipment related changes not expensed in the MDCH settlement accounted for a decrease of \$171,148 while the sale of Jones Place property resulted in an increase of \$123,421.

### **BUDGETARY HIGHLIGHTS**

The Authority prepares a formal budget prior to the beginning of the fiscal year with a formal amendment made mid-year and at nine months. Each of the budget amendments are approved by the Board. The actual revenues of \$75,415,225 were 3.8% over the original budget and 4.5% under the amended budget. The amended revenue budget approved by the Board reflected all projected Medicaid revenue as current year income. The \$3,900,823 of Medicaid Savings from FY 2007 to be used in FY 2008 is not reflected in revenue in the financial statements but rather as deferred revenue in the Balance Sheet. Medicaid Savings of \$4,250,699 from FY 2006 spent in FY 2007 was reflected in the amended budget as well as actual revenues.

The actual expenditures of \$75,672,378 compared to the original budget of \$70,031,284 represents a difference of \$5,641,094 or 8.1%. The difference between actual expenditures and the amended budget of \$74,530,606 was an increase of \$1,141,772 or 1.5% of the amended budget. The difference between the original budget and the amended budget is the result of several changes. First, the QAAP tax expense of \$3,996,895 paid to MDCH was not included in the original budget. The QAAP adjustment is an increase in Medicaid rates which is then returned to MDCH in the form of an assessment or tax of 6% on the gross Medicaid payments. Second, the Contract Agencies budget increased to reflect a rate increase given to fund a direct care worker wage increase to those workers who provide community living supports and personal care services. This increase was also given to direct care workers employed by the alliance's three CMH's. The increase was funded by Medicaid and General Fund funding increase and was passed on in June but made retroactive to October 1, 2006. Third, the Institutional Care budget decreased by more than 50% due in part to decreased rates determined by MDCH and also a decrease in days used at the State Institutions. Much of the increase in actual expenditures over the amended budget related to a \$653,410 payment towards the retirement health care under-funding in the St. Clair County Pension Plan. See Note 10 in Notes to Financial Statements.



## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The Authority had \$6,086,242 in capital assets, net of accumulated depreciation, at September 30, 2007. This is an increase of \$3,513,087 from the previous year. The purchase of seven residential homes and the receipt of one donated home along with the completion of renovations to a home purchased in FY 2006 represents an addition of \$1,818,208 excluding depreciation. Also included in the current year changes are the purchase of the land for the new facility on Electric Avenue. This represents \$1,055,625 including some site selection and soil testing costs. Construction in progress at the Electric Avenue site was \$918,311 at September 30, 2007. Construction/Purchase commitments regarding the Electric Avenue site as of September 30, 2007 amounted to \$8,935,492. A contract commitment for improvements at the Colorado home in Marysville in the amount of \$119,000 was also in place. The home located on Jones Place was sold during FY 2007 representing a reduction to Land of \$20,000, Buildings of \$141,914 and Accumulated Depreciation of \$44,878. The remaining change represents the net of depreciation and new equipment purchases for the year. See Note 5, for information on the Authority's change in their capitalization policy for Financial Statement purposes from a minimum purchase amount of \$1000 to \$5000 and more detail on the Construction/Purchase Commitments. The breakdown of assets at September 30, 2007 is as follows:

Land	\$ 1,701,426
Construction in Progress	918,311
Buildings	2,714,679
Leasehold Improvements	339,444
Equipment	<u>1,682,999</u>
	7,356,859
Accumulated Deprecation	( <u>1,270,617</u> )
	<u>\$ 6,086,242</u>

### **Long-Term Debt**

At September 30, 2007, the Authority had \$13,056,116 in long-term debt compared to \$1,392,810 at September 30, 2006, an increase of \$11,663,306. During FY 07, the Authority entered into a loan agreement for \$1,250,000 for the purchase of six homes. The Authority also entered into a lease agreement with St. Clair County for the acquisition, construction and equipping of a new consolidated office building. The County has issued bonds for the project and the debt service payments will be paid through the lease with the Authority. The following table shows the long-term debt at September 30, 2007:

Loan Payable (Citizen's First)	\$ 1,243,759
Contracts Payable	10,490,000
Accrued Vacation and Sick	1,426,831
Deferred Amounts for Issuance Discounts	( <u>104,474</u> )
	<u>\$ 13,056,116</u>

Additional information on the Authority's long-term liabilities can be found in Note 8 – Long-Term Debt.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

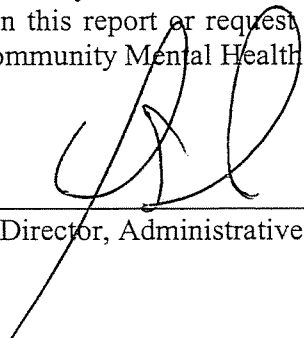
The State of Michigan, the primary source of funding for the St. Clair County Community Mental Health Authority continues to face high unemployment rates and a budget deficit for FY 2008. The funding category created by MDCH in FY 2003 called Adult Benefits Waiver, covering individuals previously with little or no medical coverage, continued in FY 2007 but with periods of no new enrollments and no economic rate adjustments. MDCH made some adjust for decreases in ABW revenue by increasing General Fund revenues in FY 2007 by \$15,142. The total received in FY 2007 was \$721,002 with \$858,000 in expenditures resulting in the need to cover the \$136,998 deficit from General Fund revenues. MI Child revenues were \$23,913 with expenditures of \$82,489 or a \$58,576 deficit to be covered by General Fund revenues. Projections are for a continued deficit in ABW and MI Child funding in FY 2008.

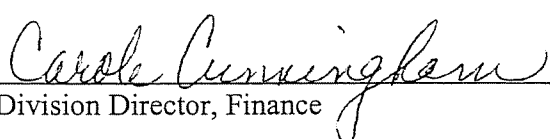
St. Clair County Community Mental Heath Authority's General Fund allocation for FY 2008 is approximately equal to the 2007 allocation, after reductions for the allocations made to SCCCMHA in FY 2007 by Lapeer and Sanilac CMH's and adjustments for changes in State Facility Rates. This is still subject to Executive order cuts that could occur to balance the State budget however, such cuts are not currently anticipated. SCCCMHA Management, over the last few years has taken numerous steps to reduce General Fund expenditures. These changes continue to affect the General Fund budget. The original budget for FY 2008 General Fund expenditures is approximately \$500,000 in excess of the anticipated GF revenue. As we proceed through FY 2008, it is projected that if state facility days used remain as low as they were in the months of October through April, a significant reduction to that deficit could be realized. Any remaining deficit at year end will be covered by PA 423 fee revenues, interest income and other local match sources. Given that the SCCCMHA Board has a limited cash-reserve to cover budget over-expenditures, both the SCCCMHA Board and Management must continue to closely monitor the GF funding area. Further program and budgetary reductions may still be necessary during FY 08 (and perhaps beyond) in order to ensure the SCCCMHA operates its GF program within its budget limits.

Medicaid services are broken into three different categories referred to as State Plan Services (1915(b), B-3 Services (1915(b)(3), and Habilitation Waiver Services (1915(c). Medicaid PEPM rates are based on age, gender, eligibility code and geographical factors. They were rebased effective October 1, 2007 in accordance with the State's actuarial analysis conducted on behalf of MDCH. Projections for Medicaid revenues in FY 2008 are currently estimated at \$800,000 less than FY 2007. As in prior years, the projected Medicaid revenue is subject to fluctuation based on HSW enrollments, eligible enrolled beneficiary lives and potential rate changes by MDCH. As mentioned above, the Medicaid Savings at September 30, 2007 (for use in FY 08) was \$3,900,823 or a decrease of \$349,876 from FY 2007. A plan on how to spend the Medicaid savings in FY 2008 was provided to the PIHP Board in April, 2008. Management believes that absent a significant change in the number of Medicaid eligibles during FY 2008, a decline in HSW (C Waiver) revenues or further budget cuts, FY 2008 will end with little or no planned savings to carry forward to FY 2009. No Medicaid Savings for use in FY 2009 will effectively result in a \$4,000,000 cut in available Medicaid. Therefore, the PIHP and it's three member CMH's are already planning cuts in expenditures for FY 2009.

## **CONTACTING THE AUTHORITY MANAGEMENT**

This financial report is designed to provide a general overview of the St. Clair County Community Mental Health Authority's finances and to show accountability. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the St. Clair County Community Mental Health Authority, 1011 Military Street, Port Huron, MI 48060-5416.

  
Associate Director, Administrative Services

  
Division Director, Finance

## **BASIC FINANCIAL STATEMENTS**

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## BALANCE SHEET/STATEMENT OF NET ASSETS

**SEPTEMBER 30, 2007**

	Governmental Activities	Internal Service	Adjustments Note 2	Statement of Net Assets
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,618,625	\$ -	\$ -	\$ 5,618,625
Investments	4,559,611	-	-	4,559,611
Deposit with County	-	8,654,554	-	8,654,554
Accounts receivable (net of allowances)	250,573	-	-	250,573
Due from other governmental units (net of allowances)	1,343,796	-	-	1,343,796
Due from primary government	-	15,934	-	15,934
Due from other funds	-	101,701	( 101,701)	-
Prepaid expenditures	329,902	-	-	329,902
Advance from other funds	2,022,534	-	( 2,022,534)	-
Restricted Assets -				
Investments - Accrued vacation and sick	1,426,831	-	-	1,426,831
- Risk Corridor Financing	-	5,001,743	-	5,001,743
Capital Assets, net of depreciation				
Assets not being depreciated	-	2,619,737	-	2,619,737
Assets being depreciated	-	2,601,035	865,470	3,466,505
Total Assets	<u>15,551,872</u>	<u>18,994,704</u>	<u>( 1,258,765)</u>	<u>33,287,811</u>
<b>LIABILITIES</b>				
Accounts Payable	2,625,388	19,721	-	2,645,109
Accrued payroll and fringes	1,319,185	414	-	1,319,599
Due to other governmental units	1,204,073	-	-	1,204,073
Accrued interest payable	-	3,360	-	3,360
Due to other funds	101,701	-	( 101,701)	-
Unearned revenue	3,911,254	-	-	3,911,254
Non-current liabilities -				
Advance to (from) other funds	-	2,022,534	( 2,022,534)	-
Due within one year	-	1,408,759	990,000	2,398,759
Due in more than one year	-	10,220,526	436,831	10,657,357
Total Liabilities	<u>9,161,601</u>	<u>13,675,314</u>	<u>( 697,404)</u>	<u>22,139,511</u>
<b>FUND BALANCE</b>				
Reserved -				
Advance to other funds	2,022,534	-	( 2,022,534)	-
Prepaid expenditures	329,902	-	( 329,902)	-
Accrued vacation and sick	1,426,831	-	( 1,426,831)	-
Unreserved -				
Designated - Managed Care	800,000	-	( 800,000)	-
- Contingencies	500,000	-	( 500,000)	-
Undesignated	1,311,004	-	( 1,311,004)	-
Total Fund Balance	<u>6,390,271</u>	<u>-</u>	<u>( 6,390,271)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 15,551,872</u>			
<b>NET ASSETS</b>				
Invested in capital assets, net of related liabilities		236,081	2,888,004	3,124,085
Restricted		5,001,743	-	5,001,743
Unrestricted		81,566	2,940,906	3,022,472
Total Net Assets		<u>\$ 5,319,390</u>	<u>\$ 5,828,910</u>	<u>\$ 11,148,300</u>

See Notes to  
Financial Statements

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## STATEMENT OF GOVERNMENTAL REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Governmental Activities	Internal Service	Adjustments Note 2	Statement of Activities
<b>Revenues:</b>				
Intergovernmental -				
Federal/State	\$ 72,448,353	-	\$ -	\$ 72,448,353
Local	1,492,716	-	-	1,492,716
Charges for services	797,066	-	-	797,066
Interest and rents	626,400	585,918	( 239,981)	972,337
Other revenue	50,690	-	-	50,690
	<u>75,415,225</u>	<u>585,918</u>	<u>( 239,981)</u>	<u>75,761,162</u>
<b>Expenditures/Expenses:</b>				
Developmental Disability Programs	5,775,146	-	( 75,330)	5,699,816
Mental Illness Programs	9,383,858	-	65,573	9,449,431
Administration and Support Services	5,615,428	100,849	( 174,328)	5,541,949
Grants	337,801	-	257	338,058
PIHP (Net of St. Clair Medicaid)	33,535,484	-	( 133,449)	33,402,035
Substance Use Disorder	537,612	-	-	537,612
Institutional Care	593,800	-	-	593,800
Contract Agencies	19,684,043	-	( 157,050)	19,526,993
Loss on Disposal of Property	-	-	11,682	11,682
Interest Expense	-	296,759	( 82,931)	213,828
Depreciation	-	52,842	224,360	277,202
	<u>75,463,172</u>	<u>450,450</u>	<u>( 321,216)</u>	<u>75,592,406</u>
Revenues over (under) expenditures	<u>( 47,947)</u>	<u>135,468</u>	<u>81,235</u>	<u>168,756</u>
<b>Other Financing Sources (Uses):</b>				
County appropriation	955,672	-	-	955,672
Proceeds from sale of assets	123,421	-	( 123,421)	-
Transfers in (out)	( 209,206)	209,206	-	-
	<u>869,887</u>	<u>209,206</u>	<u>( 123,421)</u>	<u>955,672</u>
Net Change in Fund Balance/Net Assets before Capital Contributions	821,940	344,674	( 42,186)	1,124,428
<b>Capital Contributions</b>	<u>-</u>	<u>196,000</u>	<u>-</u>	<u>196,000</u>
Net Change in Fund Balance/Net Assets	<u>821,940</u>	<u>540,674</u>	<u>( 42,186)</u>	<u>1,320,428</u>
Fund Balance/Net Assets at beginning of fiscal year	5,568,331	4,778,716	( 365,770)	9,981,277
Adjustment for change in accounting principle	<u>-</u>	<u>-</u>	<u>( 153,405)</u>	<u>( 153,405)</u>
Fund Balance/Net Assets at beginning of fiscal year, restated	<u>5,568,331</u>	<u>4,778,716</u>	<u>( 519,175)</u>	<u>9,827,872</u>
Fund Balance/Net Assets at end of fiscal year	<u><u>\$ 6,390,271</u></u>	<u><u>\$ 5,319,390</u></u>	<u><u>\$( 561,361)</u></u>	<u><u>\$ 11,148,300</u></u>

See Notes to  
Financial Statements

**ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY**

**INTERNAL SERVICE FUNDS  
STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**Cash Flows From Operating Activities:**

Cash receipts from interfund services	\$ 113,813
Cash payments to employees/suppliers	( 80,714)
Net Cash Provided by Operating Activities	<u>33,099</u>

**Cash Flows From Capital and Related Financing Activities:**

Transfers from other funds	209,206
Advances from other funds	445,476
Interest payments	( 293,399)
Loan/note proceeds	11,635,526
Principal payments on loan	( 6,241)
Change in deposit with County	( 8,654,554)
Acquisition and construction of capital assets	( 3,547,433)
Net Cash Used by Capital and Related Financing Activities	<u>( 211,419)</u>

**Cash Flows From Investing Activities**

Purchase of investments	( 524,207)
Interest Earned	428,868
Net Cash Used by Investing Activities	<u>( 95,339)</u>

Net Decrease in Cash and Cash Equivalents for the year ( 273,659)

Cash and Cash Equivalents at Beginning of Year 273,659

Cash and Cash Equivalents at End of Year \$ -

**Reconciliation of Operating Income to Net Cash  
Provided by Operating Activities:**

Operating Income	\$ 3,359
Adjustments to reconcile operating income to net cash provided by operating activities-	
Depreciation	52,842
Changes in assets and liabilities:	
Due from other funds	58,464
Accounts payable and accruals	20,135
Due to other funds	( 101,701)

Net Cash Provided By Operating Activities \$ 33,099

**Non-Cash Capital and Related Financing Activities:**

Capital Contributions	<u><u>\$ 196,000</u></u>
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See Notes to  
Financial Statements

**ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY**

**STATEMENT OF GOVERNMENTAL REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
<b>Revenues:</b>			
Intergovernmental -			
Federal/State	\$ 70,883,886	\$ 76,735,535	\$ 72,448,353
Local	818,474	961,494	1,492,716
Charges for services	500,479	874,057	797,066
Interest and rents	400,000	400,000	626,400
Other revenue	26,157	30,340	50,690
	<u>72,628,996</u>	<u>79,001,426</u>	<u>75,415,225</u>
<b>Expenditures:</b>			
Developmental Disability Programs	6,168,105	5,817,628	5,775,146
Mental Illness Programs	8,766,680	9,129,414	9,383,858
Administration and Support Services	4,955,186	4,943,833	5,615,428
Grants	787,366	797,644	337,801
PIHP	28,826,118	32,723,682	33,535,484
Substance Abuse	596,574	596,574	537,612
Institutional Care	1,208,526	594,751	593,800
Contract Agencies	18,513,523	19,717,874	19,684,043
	<u>69,822,078</u>	<u>74,321,400</u>	<u>75,463,172</u>
Revenues over (under) expenditures	<u>2,806,918</u>	<u>4,680,026</u>	<u>( 47,947)</u>
<b>Other Financing Sources:</b>			
County appropriation	955,672	955,672	955,672
Proceeds from sale of assets	-	-	123,421
Transfers to other funds	( 209,206)	( 209,206)	( 209,206)
	<u>746,466</u>	<u>746,466</u>	<u>869,887</u>
Net Change in Fund Balances	<u>\$ 3,553,384</u>	<u>\$ 5,426,492</u>	<u>\$ 821,940</u>

See Notes to  
Financial Statements

**ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY**

**STATEMENT OF FIDUCIARY NET ASSETS  
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS  
SEPTEMBER 30, 2007**

**ASSETS:**

Cash and cash equivalents	\$ 792,298
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**NET ASSETS:**

Reserved for employees' health care	\$ 792,298
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**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**Additions:**

Employer contributions	\$ 17,452
Interest income	73,785
	<u>91,237</u>

**Deductions:**

	<u>-</u>
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Net increase	91,237
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Net assets held in trust for health insurance -

Beginning of year	<u>701,061</u>
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End of year	<u>\$ 792,298</u>
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See Notes to  
Financial Statements



# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2007

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting methods and procedures adopted by the St. Clair County Community Mental Health Authority conform in all material respects to U.S. generally accepted accounting principles as applied to governmental entities and the Uniform Accounting Manual for County Mental Health Boards as prescribed by the State of Michigan. The following Notes to the Financial Statements are an integral part of the Authority's financial statements.

#### A. Reporting Entity –

The St. Clair County Community Mental Health Services Board, a component unit of St. Clair County, provides mental health services to residents of St. Clair County and is the Prepaid Inpatient Health Plan for the three County regions comprised of St. Clair, Lapeer and Sanilac counties. The Board was originally established in 1965 under the provision of Act 54 PA 1963, as amended, and on January 1, 2000 adopted authority status under Public Act 290 of the Public Acts of 1995. The Board assumed the responsibilities as the Prepaid Inpatient Health Plan (PIHP) for the Thumb Region as of October 1, 2002.

#### B. Measurement Focus, Basis of Accounting and Financial Statement Presentation –

The government-wide financial statements (i.e. the Statement of Net Assets and Statement of Activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The fund (modified accrual) statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

Charges for services, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual, and therefore have been recognized as revenues of the current fiscal period.

The Authority's operating activities are all reported in the General Fund. It is used to account for all activities except those required to be accounted for in another fund.

Additionally, the Authority reports the following fund types:

**Internal Services Funds** – are used to account for and finance potential uninsured risk of loss related to managed care, and the purchase and operations of residential homes.

**Pension Trust and Other Employee Trust Funds** – is used to accumulate resources for the payment of post-retirement benefits for employees not covered under the St. Clair County system.

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2007

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for these business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary Funds (Internal Service Funds) distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivery goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's internal service funds are charged to other funds for services provided. All revenues and expenses not meeting this definition are reported as non-operating revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then the unrestricted resources as needed.

#### C. Assets, Liabilities, and Net Assets or Equity –

**Cash and Cash Equivalents** – The Authority's cash and cash equivalents are cash on hand, demand deposits, certificates of deposits and mutual funds with original maturities of three months or less from the date of acquisition.

**Receivables** – All receivables are shown net of allowances for uncollectible amounts.

**Prepaid Items** – Certain payments to vendors reflect cost applicable to future fiscal years and are recorded as prepaid expenditures.

**Restricted Assets** – The Michigan Department of Community Health (DCH) provides funding for accrued vacation and sick time as it is earned, regardless of when paid, however requires the amounts to be maintained in separate bank accounts. In addition DCH allows mental health organizations to establish a separate account to cover the risk exposure under the Managed Care Specialty Services Program.

**Capital Assets** – Are reported in the government-wide statements. Capital assets are defined by the Authority as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2007

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Building	40
Building Improvements	5-20
Equipment	4-7

**Accrued Vacation and Sick Pay** – In accordance with contracts negotiated with the various employee groups, individual employees have a vested right upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contracts. All amounts vested are accrued in the government-wide statements. A liability for these amounts is only reported in the fund (modified accrual) statements if they have matured, for example, as a result of employee resignations and/or retirement.

**Unearned Revenues** – In both the government-wide statements and in the fund (modified accrual) financial statements revenues received or recorded before it is earned is recorded as deferred revenue. In addition in the fund (modified accrual) statements, revenues that are not both measurable and available are recorded as deferred revenues.

**Fund Equity** – The fund (modified accrual) statements report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subject to change.

**Estimates** – In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Federal Programs** – The Authority has not integrated its Single Audit Report and Schedule of Expenditures of Federal Awards as part of the annual financial report. The Single Audit will be issued prior to June 30, 2008, under a separate cover as supplementary information.

### NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

- A. Explanation of differences between the fund (modified accrual) balance sheet and the government-wide statements of net assets (Page 9).

Fund Balance	\$ 6,390,271
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Capital assets used in the modified accrued activities which are not financial resources and therefore are not reported in the fund statements

**ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS - (cont'd):**

Add – capital assets	2,022,443
Deduct – accumulated depreciation	( 1,156,973)
Internal service funds used by management to record risk corridor financing and the purchasing of various buildings. The assets and liabilities of the internal service funds are included with governmental activities in the statement of net assets.	5,319,390
Long-term accrued vacation and sick time that are not due in the current period, therefore, not reported in the fund (modified accrual) activities	( <u>1,426,831</u> )
Net Assets	<u>\$ 11,148,300</u>

- B.** Explanation of differences between the fund (modified accrual) statement of revenues, expenditures and changes in fund balance and the government-wide statement of activities (Page 10).

Net changes in fund balance – modified accrual	\$ 821,940
The fund (modified accrual) statements report capital outlay as expenditures. However, in the Statement of Net Assets the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses	
Add – capital outlay	351,298
Deduct – depreciation	( 224,360)
Loss on disposal of assets	( 135,103)
Internal service funds used by management to record risk corridor financing and the purchase and rent of various buildings. The net revenues (expenses) attributable to those funds is reportable with governmental activities	540,674
Accrued vacation and sick time expenses not reported in the fund (modified accrual) statement because they will not be paid with current financial resources	( <u>34,021</u> )
Change in Net Assets	<u>\$ 1,320,428</u>

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2007

### NOTE 3 - DEPOSITS AND INVESTMENTS:

As of September 30, 2007, the Authority's deposits and investments are as follows:

	<u>Primary Government</u>	<u>Fiduciary Unit</u>	<u>Reporting Entity</u>
Petty Cash	\$ 2,750	\$ -	\$ 2,750
Deposits -			
Deposits with Financial Institutions -			
Checking/Savings	5,615,875	25,002	5,640,877
Certificates of Deposit	10,988,185	-	10,988,185
Investments -			
Mutual Fund	<u>-</u>	<u>767,296</u>	<u>767,296</u>
	<u>\$ 16,606,810</u>	<u>\$ 792,298</u>	<u>\$ 17,399,108</u>
Reconciliation To Combined Balance Sheet			
Reported as Cash and Cash Equivalents -			
Petty Cash	\$ 2,750	\$ -	\$ 2,750
Deposits with Financial Institutions	5,615,875	25,002	5,640,877
Mutual Funds	<u>-</u>	<u>767,296</u>	<u>767,296</u>
Total Cash and Cash Equivalents	<u>5,618,625</u>	<u>792,298</u>	<u>6,410,923</u>
Reported as Investments -			
Deposits with Financial Institutions	<u>10,988,185</u>	<u>-</u>	<u>10,988,185</u>
Grand Total - Combined Balance Sheet	<u>\$ 16,606,810</u>	<u>\$ 792,298</u>	<u>\$ 17,399,108</u>

The primary objectives, in priority order of the St. Clair County Community Mental Health Authority's investment activities are safety, diversification, liquidity and return on investment.

#### Deposits –

The Authority's investment policy and Act 217 PA 1982, as amended, authorizes the Authority to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2007

### NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

**Custodial Credit Risk – Deposits** – is the risk that in the event of a bank failure, the Authority's deposit may not be returned. As an indication of the level of deposit custodial credit risk assumed by the Authority, as of September 30, 2007, the bank balance of the Authority's deposits was \$17,161,957, of which \$200,000 was FDIC insured with the remaining balance of \$16,961,957 uninsured and uncollateralized.

#### **Investments –**

The only investments maintained by the Authority are mutual funds in the Employee Benefit Trust Funds. The portfolio consisted of the following at September 30, 2007:

	Market Value	Rating	Average Weighted Maturity	Fund Type
Primco Total Return Bond Fund	\$ 302,517	AA	5.3 years	Fixed Income
Columbia Acorn USA Z	55,000	N/A	N/A	Small Cap Equities
Excelsior Value & Restructuring	99,869	N/A	N/A	Large Cap Equities
Keely Small Cap Value Fund	53,998	N/A	N/A	Small Cap Equities
Morgan Stanley US Real Estate	23,803	N/A	N/A	Real Estate
Legg Mason Value Trust	96,562	N/A	N/A	Large Cap Equities
I Shares, Inc. Belgium Index Fund	72,477	N/A	N/A	Foreign Equities
I Shares, Inc. Sweden Index Fund	36,980	N/A	N/A	Foreign Equities
Primco Commodity Real Return	<u>26,090</u>	N/A	N/A	Commodities
	<u>\$ 767,296</u>			

**Custodial Credit Risk** – is the risk that in the event of a failure of the counterparty, the Authority may not be able to recover the value of its investments that are in the possession of another party. The Authority does not have a policy regarding custodial credit risk.

**Interest Rate Risk** – is the risk that the market value of securities in the Authority's portfolio will fall due to changes in market increases. The Authority's policy indicates the portfolio shall be designed with the objective of obtaining a rate of return throughout the budgetary and economic cycles taking into account the investment risk constraints and the cash flow of the portfolio.

**Credit Risk** – is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State law and the Authority's investment policy limits the types of investments that can be purchased.

**Concentration of Credit Risk** – is the risk of loss attributed to the magnitude of the Authority's investments in a single issuer. The Authority's policy specifies that investments be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2007

### NOTE 4 - RECEIVABLES:

Receivables as of September 30, 2007 are as follows:

Accounts Receivable –	
Fees	\$ 259,819
Contract Agencies	43,901
Other	<u>34,853</u>
	338,573
Allowance for Doubtful Accounts	( <u>88,000</u> )
	<u>250,573</u>
Intergovernmental –	
Federal/State	321,642
Local	<u>1,029,154</u>
	1,350,796
Allowance for Doubtful Accounts	( <u>7,000</u> )
	<u>1,343,796</u>
	<u>\$ 1,594,369</u>

The fund (modified accrual) statements report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Both the government-wide and the fund (modified accrual) statements defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current year, the various components of unearned revenue were as follows:

	<u>Unearned</u>
Grants	\$ 10,371
Medicaid Savings	3,900,823
Other	<u>60</u>
	<u>\$ 3,911,254</u>

### NOTE 5 - CAPITAL ASSETS:

Capital assets activity for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals/ Adjustments</u>	<u>Ending Balance</u>
Capital assets not being depreciated –				
Land	\$ 256,551	\$ 1,464,875	\$ 20,000	\$ 1,701,426
Construction in Progress	<u>2,000</u>	<u>918,311</u>	<u>2,000</u>	<u>918,311</u>
	<u>258,551</u>	<u>2,383,186</u>	<u>22,000</u>	<u>2,619,737</u>
Capital assets being depreciated –				
Building	1,510,279	1,344,314	139,914	2,714,679
Leasehold improvements	365,403	-	25,959	339,444
Equipment	<u>2,174,272</u>	<u>351,298</u>	<u>842,571</u>	<u>1,682,999</u>
	<u>4,049,954</u>	<u>1,695,612</u>	<u>1,008,444</u>	<u>4,737,122</u>

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2007

### NOTE 5 - CAPITAL ASSETS - (cont'd):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals/ Adjustments</u>	<u>Ending Balance</u>
Less accumulated depreciation for –				
Building	\$ 102,301	\$ 56,221	\$ 44,878	\$ 113,644
Leasehold improvements	224,064	24,247	20,050	228,261
Equipment	<u>1,408,985</u>	<u>196,734</u>	<u>677,007</u>	<u>928,712</u>
	<u>1,735,350</u>	<u>277,202</u>	<u>741,935</u>	<u>1,270,617</u>
Net capital assets being depreciated	<u>2,314,604</u>	<u>1,418,410</u>	<u>266,509</u>	<u>3,466,505</u>
Total capital assets net of depreciation	<u>\$ 2,573,155</u>	<u>\$ 3,801,596</u>	<u>\$ 288,509</u>	<u>\$ 6,086,242</u>

Effective October 1, 2006, the Authority changed their capitalization policy to include assets with an initial individual cost of \$5,000 or more. Previously, the threshold had been items with an initial cost of \$1,000 or more.

### Construction/Purchase Commitments

The Authority has committed to the following contracts at September 30, 2007 (These commitments do not include contracts which have been agreed to and all contractual payments have been made or change orders made after September 30, 2007):

	<u>Contract Amount</u>	<u>Payments through Sept. 30, 2007</u>	<u>Remaining Balance Sept. 30, 2007</u>
New Building (a) -			
Furnishing	\$ 800,000	\$ 3,300	\$ 796,700
Steel Contractor	487,035	-	487,035
General Contractor	8,400,000	748,243	7,651,757
Colorado Home (b) -	119,000	-	119,000

- (a) The Authority entered into contracts to construct a new building to centralize services. The commitments will be paid from the County Capital Project Fund cash held at the County.  
(b) The Authority has contracted for improvements on the Colorado group home.

### NOTE 6 - PAYABLES:

Payables at September 30, 2007 are as follows:

Payables –	
Accounts	\$ 336,294
Contract Agencies	725,082
Group/Foster Care Homes	912,625
Community Inpatient	<u>671,108</u>
	<u>2,645,109</u>
Accrued Payroll and Taxes –	
Wages and taxes	<u>1,319,599</u>
Intergovernmental –	
Federal/State	749,169
Local	<u>454,904</u>
	<u>1,204,073</u>
	<u>\$ 5,168,781</u>



# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2007

### NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

#### Due From/To Other Fund –

As of September 30, 2007, the General Fund owed \$101,701 to the internal service fund for the difference between the rent charged the General Fund and the annual repayment of advances between funds.

#### Advances From/To Other Fund –

As of September 30, 2007, the Internal Service Fund owed the General Fund \$2,022,534, plus interest to repay the advance amount for the purchase/construction of various residential facilities and the administration costs of overseeing the facilities.

### NOTE 8 - LONG-TERM DEBT:

The following is a summary of changes in long-term debt (including current portions) for the year ended September 30, 2007:

	Beginning Balance	Increase	Reductions	Ending Balance	Due Within One Year
Loan Payable	\$ -	\$ 1,250,000	\$ 6,241	\$ 1,243,759	\$1,243,759
Contracts Payable	-	10,490,000	-	10,490,000	165,000
Accrued Vacation and Sick	1,392,810	1,020,100	986,079	1,426,831	990,000
Deferred Amounts for Issuance Discounts	-	( 104,474)	-	( 104,474)	-
	<u>\$ 1,392,810</u>	<u>\$12,655,626</u>	<u>\$ 992,320</u>	<u>\$13,056,116</u>	<u>\$ 2,398,759</u>

#### Loan Payable –

In August 2007, the Authority entered into a loan agreement for \$1,250,000 for the purchase of six homes, which will be used to provide mental health services. The loan calls for 119 monthly payments of \$7,503, including interest of 5.19% with a final payment of at \$939,864, however is due on demand.

\$ 1,243,759

#### Contracts Payable –

The Authority has entered into a lease agreement with St. Clair County for the acquisition, construction, and equipping of a new consolidated office building. The County has issued bonds for the project, and the debt service payments will be paid through the lease with the Authority. Upon retirement of the bond debt, the site will be deeded to the Authority. The bonds were issued on March 30, 2007 for \$10,490,000 payable semi-annually with interest ranging from 4.0% to 4.5%.

\$ 10,490,000

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2007

### NOTE 8 - LONG-TERM DEBT – (cont'd):

#### Accrued Vacation and Sick -

In accordance with contracts negotiated with various employee groups of the Authority, individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contract. As of September 30, 2007 the vested benefits amounted to \$1,426,831.

Annual debt requirements to pay the debt outstanding at September 30, 2007 (excluding accrued vacation and sick) are as follows:

Year Ending September 30,	Loan Payable		Contracts Payable	
	Principal	Interest	Principal	Interest
2008	\$ 25,876	\$ 64,156	\$ 165,000	\$ 436,412
2009	27,251	62,781	200,000	428,988
2010	28,700	61,333	200,000	419,988
2011	30,225	59,807	250,000	411,488
2012	31,832	58,201	250,000	401,174
2013-17	1,099,875	259,768	1,925,000	1,825,872
2018-22	-	-	3,800,000	1,289,598
2023-26	-	-	3,700,000	400,700
	<u>\$ 1,243,759</u>	<u>\$ 566,046</u>	<u>\$ 10,490,000</u>	<u>\$ 5,614,220</u>

### NOTE 9 - RETIREMENT SYSTEM:

#### Plan Description

Full-time employees, except for contract management personnel, of the St. Clair County Mental Health Authority, are covered under the St. Clair County Retirement System. The Retirement system is a single employer, defined benefit pension plan, which was established by County ordinance in 1964 to provide retirement and pension benefits for substantially all employees of St. Clair County, the St. Clair County Road Commission, and the St. Clair County Mental Health Authority. Effective for the year ended December 31, 2005, actuarial information is maintained separately for the three groups of plan members. The system is administered, managed and operated by a Board composed of 9 trustees, which is composed of the Chairperson of the Board of Commissioners, Chairperson of the St. Clair County Road Commission Board, one appointed citizen, one elected by the Community Mental Health Authority Board and four elected employees. The benefit provisions are governed by Michigan Public Act of 1984, as amended. The plan may be amended by the County Board of Commissioners.

The County issues publicly available annual financial statements that include financial statements for the plan. That report may be obtained from St. Clair County by writing to the Administrator/ Controller's office, 200 Grand River, Port Huron, Michigan 48060 or by calling (810) 989-6900.

#### Funding Policy

The obligation to contribute and maintain the retirement system for the employees was established by negotiations with the collective bargaining units and by personnel policy for non-represented employees. The actuarial rate for the period October 1, through December 31, 2006 was 9.50% and for the period January 1, through September 30, 2007 was 8.20%. Plan members are required to contribute 5% of their annual covered salary.

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2007

### NOTE 9 - RETIREMENT SYSTEM – (cont'd):

#### Annual Pension Costs

During the year ended September 30, 2007, the Authority's annual pension cost of \$809,640 was equal to the Authority's required and actual contributions.

The required contribution rate was determined as part of the December 31, 2005 actuarial valuation using the individual entry age normal cost method. The actuarial assumption included (a) 7.5% net investment rate of return, and (b) projected salary increases of 5.5% to 8.5% per year, which includes pay inflation at 5.0%. There are no projected cost of living adjustments. The actuarial value was determined using techniques that smooth the effect of short-term volatility in the market value of investment over a five-year period. The plan unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed period, with a remaining amortization period as of December 31, 2006 of 23 years for decreasing by one year, then rolling at 20 years.

#### Trend Information

##### Schedule of Funding Progress -

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (AAL) (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
2005	\$ 19,481,190	\$ 20,194,178	\$ 712,988	96.5 %	\$ 8,796,514	8.10 %
2006	21,520,997	22,147,312	626,315	97.2	9,214,402	6.80

##### Schedule of Employer Contributions -

Year Ended	Annual Pension Costs (APC)	Percentage of APC Contribution	Net Pension Obligation
September 30, 2005	\$ 635,632	100 %	\$ -
September 30, 2006	859,647	100	-
September 30, 2007	809,640	100	-

### NOTE 10 - POSTEMPLOYMENT BENEFITS:

#### Plan Description -

St. Clair County Mental Health Authority provides postemployment benefits for those employees that are part of the St. Clair County Retirement System as described in Note 9. Postemployment benefits consist of health, dental and prescription drug coverage.

#### Funding Policy -

The funding policy provides for periodic employer contributions at actuarially determined rates. The actuarially determined rate for the period January 1, through December 31, 2006 was 17.84% and for the period January 1, through September 30, 2007 was 11.68%.

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2007

### NOTE 10 - POSTEMPLOYMENT BENEFITS:

#### Annual Postemployment Benefit Costs -

The required contribution rate was determined as part of the December 31, 2005 actuarial valuation using the individual entry age actuarial cost method. The actuarial assumptions included (a) 7.5% net investment rate of return, (b) projected salary increases of 5.5% to 8.5% per year, and (c) projected health care premium increases of 5% to 10% per year.

During the year ended September 30, 2007, employer contributions of \$1,109,277 were made by the Authority, equal to the actuarially determined rate.

#### Trend Information

#### Schedule of Funding Progress -

Actuarial Valuation Date	Actuarial Value of of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (AAL) (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
2005	\$ 4,763,081	\$ 15,465,911	\$ 10,702,830	30.8 %	\$ 8,796,514	122 %
2006	5,398,630	27,144,329	21,745,699	19.9	9,214,402	236

The Authority has also provided health insurance benefits to the management personnel not covered by the St. Clair County Retirement System. To be eligible, the employee must have a certain number of years of service based on their contract and be at least 55 years of age. The Authority has elected to fund these benefits on an actuarial basis. As of the last actuarial report, the plan covered six (6) active members (currently it covers 4 members). The latest actuarial report was completed as of December 31, 2005 indicated the actuarial accrued liability of \$664,122 and Actuarial Value of Assets of \$649,458 or an unfunded actuarial accrued liability of \$14,664, which was funded in FY 2006. For the year ended September 30, 2007, the Authority's pension cost for this group of employees was \$17,452, which was equal to the Authority's contribution.

### NOTE 11 - DEFERRED COMPENSATION:

The Authority offers all its employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. The assets of the plans are held in trust, as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof, for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Authority's financial statements.

# **ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2007**

### **NOTE 12 - LEASES:**

The Authority has entered into certain operating leasing agreements for facilities. At September 30, 2007, these leases contain provisions whereby if various funding sources are not available they are cancelable.

The total of rent expenditures for the fiscal year ended September 30, 2007, is \$341,863.

### **NOTE 13 - STATE OF MICHIGAN SETTLEMENT:**

As is common for Mental Health Authorities, the St. Clair County Community Mental Health Authority receives a significant portion of its revenues through its full management contract with the State of Michigan Department of Community Health, with a settlement reached at the end of each fiscal year. The settlement is based on accumulated reimbursable cost of the Authority and is subject to final audit by the Department of Community Health. For 2007 and 2006, St. Clair County Community Mental Health Authority owed the Michigan Department of Community Health \$566,588 and \$1,083,235, respectively.

### **NOTE 14 - INSURANCE/RISK MANAGEMENT:**

#### **General Liability -**

The Authority is exposed to various risk of loss to general and auto liability, property damage and errors and omissions. The Authority is a member in a public risk pool administered by the Michigan Municipal Risk Management Authority for risk of losses relating to its property and general liability (including auto liability and vehicle physical damage).

MMRMA is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the MMRMA is to administer a risk management fund which provides members with loss protection for general and property liability.

The St. Clair County Community Mental Health Authority has joined with numerous other governmental agencies in Michigan as a participant in MMRMA's "State Pool". Members of the State Pool do not have individual self-retention amounts other than \$250 deductible per occurrence of property and vehicle coverage.

State Pool members' limits of coverage (per occurrence) are \$15 million for liability and approximately \$3,300,000 for property and crime. If a loss exceeds these limits or, if for any reason, MMRMA's resources are depleted, the payment of all unpaid losses are the sole obligation of the St. Clair County Community Mental Health Authority.

#### **Workers Compensation -**

The Authority purchases workers compensation insurance through a commercial carrier with a maximum limit of \$500,000 per occurrence.

**ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 15 - CONTRACTED TRANSPORTATION SERVICES:**

The Authority entered into an agreement with the Blue Water Area Transportation Commission to provide transportation services for the Authority's clientele. Under the agreement the St. Clair County Community Mental Health Authority was to undertake, carry out, and complete the transportation services. In addition, the agreement specified that the Authority is to pay all costs of said services and shall be reimbursed approximately 38.62% of the Eligible Operation Expenses for fiscal 2007 and, if applicable, an additional 17.0% of Eligible Nonurban costs. The final percentage of reimbursement is based on the funding the Blue Water Area Transportation Commission receives from the Michigan Department of Transportation.

For the fiscal year 2007, the Authority incurred \$862,657 of eligible expenses, which resulted in estimated revenue of \$382,671.

**NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLE:**

An adjustment to the beginning net assets in the government-wide statement of activities for \$153,405 has been made to record the affects of a change in the capitalization threshold of the Authority from \$1,000 to \$5,000.

## **SUPPLEMENTARY FINANCIAL DATA**

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## GENERAL FUND

### COMBINING SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCE

SEPTEMBER 30, 2007

	St. Clair CMH Operations	PIHP	Eliminations	Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,472,860	\$ 3,145,765	\$ -	\$ 5,618,625
Investments	2,019,608	2,540,003	-	4,559,611
Accounts receivable (net of allowances) -				
Fees	171,819	-	-	171,819
Contract Agencies	43,901	-	-	43,901
Other	31,091	3,762	-	34,853
Due from other governmental units (net of allowances) -				
Federal/State	80,889	240,753	-	321,642
Local	272,532	749,622	-	1,022,154
Due from other funds	1,668,796	-	( 1,668,796)	-
Prepaid expenditures	326,500	3,402	-	329,902
Advance to other funds	2,022,534	-	-	2,022,534
Restricted Assets -				
Investments - Accrued vacation and sick	1,180,190	246,641	-	1,426,831
<b>Total Assets</b>	<b>\$10,290,720</b>	<b>\$ 6,929,948</b>	<b>\$( 1,668,796)</b>	<b>\$ 15,551,872</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Liabilities:</b>				
Payables -				
Accounts	\$ 290,544	\$ 26,029	\$ -	\$ 316,573
Contract Agencies	677,426	47,656	-	725,082
Group/Foster Care Homes	912,625	-	-	912,625
Community Inpatient	671,108	-	-	671,108
Accrued payroll and payroll taxes	1,093,766	225,419	-	1,319,185
Due to other governmental units -				
State -				
Institutional Care	110,980	-	-	110,980
Other	66,275	571,914	-	638,189
Local	104,582	350,322	-	454,904
Due to other funds	101,701	1,668,796	( 1,668,796)	101,701
Deferred revenue	10,371	3,900,883	-	3,911,254
<b>Total Liabilities</b>	<b>4,039,378</b>	<b>6,791,019</b>	<b>( 1,668,796)</b>	<b>9,161,601</b>
<b>Fund Equity:</b>				
Reserved -				
Advance to other funds	2,022,534	-	-	2,022,534
Prepaid expenditures	326,500	3,402	-	329,902
Accrued vacation and sick time	1,180,190	246,641	-	1,426,831
Unreserved -				
Designated - Managed Care	800,000	-	-	800,000
- Contingencies	500,000	-	-	500,000
Undesignated	1,422,118	( 111,114)	-	1,311,004
<b>Total Fund Equity</b>	<b>6,251,342</b>	<b>138,929</b>	<b>-</b>	<b>6,390,271</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$10,290,720</b>	<b>\$ 6,929,948</b>	<b>\$( 1,668,796)</b>	<b>\$ 15,551,872</b>



# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## GENERAL FUND

### COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	St. Clair CMH Operations	PIHP	Eliminations	Total
<b>Revenues:</b>				
Intergovernmental -				
Federal/State	\$ 38,768,271	\$ 66,690,163	\$( 33,010,081)	\$ 72,448,353
Local	833,148	1,584,253	( 924,685)	1,492,716
Charges for services	797,066	-	-	797,066
Interest and rents	611,624	14,776	-	626,400
Other revenue	44,804	5,886	-	50,690
	<u>41,054,913</u>	<u>68,295,078</u>	<u>( 33,934,766)</u>	<u>75,415,225</u>
<b>Expenditures:</b>				
<b>Developmental Disability Programs -</b>				
Family Support Services	976,947	-	-	976,947
Family Support Home Based Services	327,168	-	-	327,168
Support Services	2,136,490	-	-	2,136,490
Marine City Support Service	349,270	-	-	349,270
Children's Waiver Services	89,958	-	-	89,958
OBRA PASARR	19,272	-	-	19,272
OBRA Active/ Less than				
Active Treatment	19,171	-	-	19,171
Early On Program	217,188	-	-	217,188
Family Support Respite Care	330,794	-	-	330,794
Community Integration Services	652,599	-	-	652,599
Transportation	656,289	-	-	656,289
	<u>5,775,146</u>	<u>-</u>	<u>-</u>	<u>5,775,146</u>
<b>Mental Illness Programs -</b>				
Jail Rehabilitation Services	152,055	-	-	152,055
Port Huron Counseling Center	1,806,245	-	-	1,806,245
Western Area Outpatient	559,108	-	-	559,108
River District Counseling Center	589,932	-	-	589,932
Children's Home Based Services	411,744	-	-	411,744
OBRA Active/Less than Active Services	88,529	-	-	88,529
OBRA PASARR	91,485	-	-	91,485
Lakeshore Adult Day Treatment	276,999	-	-	276,999
Assertive Community Treatment	477,557	-	-	477,557
MIC Daytreatment/Nightwatch	221,519	-	-	221,519
MIC Clinical Case Management Services	774,966	-	-	774,966
Physician Services	701,692	-	-	701,692
Community Inpatient Facilities	2,399,807	-	-	2,399,807
Medications-Injectibles	278,673	-	-	278,673
Adult Support Services	234,052	-	-	234,052
On-Call	98,659	-	-	98,659
Placement and Facility Liaison	169,362	-	-	169,362
Other Grant Continuation Programs	11,804	-	-	11,804
Transportation	39,670	-	-	39,670
	<u>9,383,858</u>	<u>-</u>	<u>-</u>	<u>9,383,858</u>

Continued

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## GENERAL FUND

### COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	St. Clair CMH Operation	PIHP	Eliminations	Total
<b>Other -</b>				
Administration and Support Services -				
General	\$ 5,089,354	\$ -	\$( 265,405)	\$ 4,823,949
Drawdown match	659,280	-	-	659,280
Community Services Coordinating Body	132,199	-	-	132,199
Grants -				
ACT - Peer Support Block Grant	19,925	-	-	19,925
ICCD Clubhouse Training Block Grant	6,300	-	-	6,300
Elderly Mental Health Block Grant	66,887	-	-	66,887
IS Development for Homeless Block Grant	3,298	-	-	3,298
Path Grant	57,270	-	-	57,270
Advance Directives Block Grant	7,300	-	-	7,300
SAS Juvenile Justice	117,168	-	-	117,168
Port of Hopes Block Grant	6,989	-	-	6,989
Project Stay Block Grant	2,099	-	-	2,099
Recovery Training Grant	22,290	-	-	22,290
Community Foundation Car Seats	7,720	-	-	7,720
Other Grants	20,555	-	-	20,555
<b>PIHP -</b>				
Administration	-	3,175,022	( 659,280)	2,515,742
QAAP Tax	-	3,996,895	-	3,996,895
Behavior Health Resources	-	107,835	-	107,835
Access	-	1,265,997	-	1,265,997
Block Grants	-	358,730	-	358,730
SPF/SIG Grant	-	56,381	-	56,381
Medicaid Pass-Through	-	58,243,985	( 33,010,081)	25,233,904
<b>Substance Use Disorder</b>	-	537,612	-	537,612
<b>Institutional Care</b>	593,800	-	-	593,800
<b>Contract Agencies</b>	19,684,043	-	-	19,684,043
	<u>26,496,477</u>	<u>67,742,457</u>	<u>( 33,934,766)</u>	<u>60,304,168</u>
Total Expenditures	<u>41,655,481</u>	<u>67,742,457</u>	<u>( 33,934,766)</u>	<u>75,463,172</u>
Revenues over (under) expenditures	<u>( 600,568)</u>	<u>552,621</u>	<u>-</u>	<u>( 47,947)</u>
<b>Other Financing Sources (Uses):</b>				
County Appropriation	955,672	-	-	955,672
Proceeds from sale of assets	123,421	-	-	123,421
Transfer in	688,795	-	( 688,795)	-
Transfer out	( 209,206)	( 688,795)	688,795	( 209,206)
	<u>1,558,682</u>	<u>( 688,795)</u>	<u>-</u>	<u>869,887</u>
Net Change in Fund Balance	958,114	( 136,174)	-	821,940
Fund Balance at beginning of fiscal year	<u>5,293,228</u>	<u>275,103</u>	<u>-</u>	<u>5,568,331</u>
Fund Balance at end of fiscal year	<u>\$ 6,251,342</u>	<u>\$ 138,929</u>	<u>\$ -</u>	<u>\$ 6,390,271</u>

Concluded

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## DETAILED SCHEDULE OF ST. CLAIR CMH REVENUES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007 AND 2006

	2007	2006
<b>Intergovernmental:</b>		
Federal/State -		
Department of Community Health	\$ 4,436,395	\$ 4,778,244
Adult Benefit Waiver	721,002	629,163
Title XX replacement	32,800	32,800
MI Child	23,913	26,268
Managed Care Capitated Payments	33,010,081	30,015,078
SAMSHA Grants	188,142	103,313
Juvenile Justice	-	50,000
CSCB Dues/Administration	7,200	5,800
Michigan Prisoner Re-Entry Reimbursement	8,651	-
OBRA	149,523	168,836
ISD Early On Grant	125,215	131,568
Path Homeless Grant	46,600	45,000
Other grants & reimbursements	18,749	34,131
	<u>38,768,271</u>	<u>36,020,201</u>
Local -		
Other County Reimbursement Contracts	268,744	212,565
Blue Water Area Transportation Revenue	382,671	418,581
Jail Coordinator Funding	52,586	13,520
SAMSHA Grants	7,500	-
Great Start Collaborative	14,985	-
Day Treatment/Night Watch	59,507	59,507
Reimbursements	47,155	34,651
	<u>833,148</u>	<u>738,824</u>
	<u>39,601,419</u>	<u>36,759,025</u>
<b>Charges for Services:</b>		
Fees -		
Medicaid	194,700	144,458
Medicare	434,113	361,016
Private pay	63,747	162,184
Blue Cross/Blue Shield	68,632	46,154
Other Substance Abuse	-	7,958
Other insurance companies	35,874	47,790
	<u>797,066</u>	<u>769,560</u>
<b>Interest and Rents:</b>		
Interest	<u>611,624</u>	<u>543,154</u>
<b>Other Revenue:</b>		
Match money	27,000	27,164
Community Foundation	7,720	3,062
Miscellaneous	10,084	9,458
	<u>44,804</u>	<u>39,684</u>
Total Revenues	<u>\$ 41,054,913</u>	<u>\$ 38,111,423</u>

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## DETAILED SCHEDULE OF DEVELOPMENTAL DISABILITIES PROGRAM EXPENDITURES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007 AND 2006

	2007	2006
<b>Family Support Services -</b>		
Case Management	\$ 650,866	\$ 773,330
Family Skill Development	56,427	45,469
Community Living Support	2,484	-
Enhanced Health Care	194,905	136,105
Occupational Therapy	42,363	47,774
Health Services	29,902	23,325
	<u>976,947</u>	<u>1,026,003</u>
<b>Family Support Home Based Services -</b>		
Home Based Services	<u>327,168</u>	<u>305,319</u>
<b>Support Services -</b>		
Building and Supply Expenses	112,516	-
Occupational Therapy	320,438	303,446
Health	160,022	176,837
Case Management	1,257,845	1,250,365
Enhanced Health Care	285,669	335,283
	<u>2,136,490</u>	<u>2,065,931</u>
<b>Marine City Support Services</b>		
Case Management	237,685	219,190
Community Living Support	2,071	-
Enhance Health Care	53,905	64,829
Occupational Therapy	49,302	48,479
Health Services	6,307	3,020
	<u>349,270</u>	<u>335,518</u>
<b>Children's Waiver Services -</b>		
Case Management	70,998	40,374
Community Living Support	15,404	21,602
Occupational Therapy	3,556	102
	<u>89,958</u>	<u>62,078</u>
<b>OBRA PASARR -</b>		
Mental Health Clinic	<u>19,272</u>	<u>20,753</u>
<b>OBRA Active/Less than Active Treatment -</b>		
Mental Health Clinic	<u>19,171</u>	<u>18,479</u>
<b>Early On Program -</b>		
Case Management	<u>217,188</u>	<u>219,279</u>
<b>Family Support Respite Care -</b>		
Respite Services	<u>330,794</u>	<u>359,944</u>
<b>Community Integration Services -</b>		
Community Living Support	616,041	317,625
Skill Building Assistance	36,558	347,370
	<u>652,599</u>	<u>664,995</u>
<b>Transportation</b>	<u>656,289</u>	<u>841,701</u>
	<u>\$ 5,775,146</u>	<u>\$ 5,920,000</u>

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## DETAILED SCHEDULE OF MENTAL ILLNESS PROGRAM EXPENDITURES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007 AND 2006

	2007	2006
<b>Jail Rehabilitation Services -</b>		
Jail Diversion Clinician	\$ 66,546	\$ 87,939
Mental Health Clinic	85,509	-
	<u>152,055</u>	<u>87,939</u>
<b>Port Huron Counseling Center -</b>		
Mental Health Clinic	756,366	546,715
Health	202,703	142,141
Case Management	597,175	509,044
Community Living Support	237,366	157,053
Peer Support	12,635	6,831
	<u>1,806,245</u>	<u>1,361,784</u>
<b>Western Area Outpatient -</b>		
Mental Health Clinic	218,875	177,038
Health	10,483	14,274
Case Management	241,707	196,638
Community Living Support	88,043	79,287
	<u>559,108</u>	<u>467,237</u>
<b>River District Counseling -</b>		
Mental Health Clinic	257,890	230,037
Health	33,124	54,450
Case Management	230,107	200,539
Community Living Support	64,950	74,722
Peer Support	3,861	-
	<u>589,932</u>	<u>559,748</u>
<b>Childrens' Home Based Services -</b>		
Home Based Services	<u>411,744</u>	<u>412,873</u>
<b>OBRA Active/Less Than Active Services -</b>		
Mental Health Clinic	<u>88,529</u>	<u>85,335</u>
<b>OBRA PASARR -</b>		
Mental Health Clinic	<u>91,485</u>	<u>98,519</u>
<b>Lakeshore Adult Day Treatment/Residential Recovery Services -</b>		
Peer Support	4,951	1,021
Mental Health Clinic	53,014	149,418
Health	14,367	77,594
Case Management	85,665	78,457
Community Living Support	66,853	189,341
Skill Building Assistance	52,149	140,577
	<u>276,999</u>	<u>636,408</u>
<b>Assertive Community Treatment -</b>		
Assertive Community Treatment	<u>477,557</u>	<u>540,622</u>
	<u>477,557</u>	<u>540,622</u>
<b>MIC Daytreatment/Nightwatch</b>		
Mental Health Clinic	130,661	112,274
Case Management	73,627	84,704
Family Skill Development	17,231	23,055
	<u>221,519</u>	<u>220,033</u>

Continued

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## DETAILED SCHEDULE OF MENTAL ILLNESS PROGRAM EXPENDITURES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007 AND 2006

	2007	2006
<b>MIC Clinical Case Management Services -</b>		
Mental Health Clinic	\$ 420,769	\$ 507,094
Occupational Therapy	25,358	29,857
Health	23,603	37,579
Case Management	174,707	226,681
Family Skill Development	15,029	13,273
Community Living Support	11,668	-
Building and Supply Expenses	103,832	-
	<u>774,966</u>	<u>814,484</u>
<b>Childcare Expulsion Prevention</b>	<u>-</u>	<u>27,651</u>
<b>Physicians</b>	<u>701,692</u>	<u>662,483</u>
<b>Community Inpatient Facilities -</b>		
Port Huron Hospital -		
MIA Services	1,458,996	1,094,767
Harbor Oaks -		
MIA Services	486,475	187,891
SED Children	232,251	137,481
Other -		
MIA Services	184,627	92,713
SED Children	36,258	57,580
Psychiatric Consultations	1,200	1,297
	<u>2,399,807</u>	<u>1,571,729</u>
<b>Medications-Injectibles</b>	<u>278,673</u>	<u>230,317</u>
<b>Adult Support Services -</b>		
Building and Supply Expenses	5,922	-
Mental Health Clinic	112,567	26,169
Occupational Therapy	16,621	18,579
Health	4,853	5,373
Case Management	94,089	85,720
	<u>234,052</u>	<u>135,841</u>
<b>On-Call</b>	<u>98,659</u>	<u>178,587</u>
<b>Placement and Facility</b>	<u>169,362</u>	<u>164,374</u>
<b>Other Grant Continuation Programs -</b>		
Homeless Peer Support Specialist	<u>11,804</u>	<u>-</u>
<b>Transportation</b>	<u>39,670</u>	<u>109,374</u>
	<u>\$ 9,383,858</u>	<u>\$ 8,365,338</u>

Concluded

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## DETAILED SCHEDULE OF OTHER EXPENDITURES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007 AND 2006

	2007	2006
<b>Administration and Support Services -</b>		
CMH Board	\$ 5,089,354	\$ 3,666,803
Drawdown match	659,280	659,281
Community Services Coordinating Body	132,199	128,833
	<u>\$ 5,880,833</u>	<u>\$ 4,454,917</u>
<b>Grants -</b>		
Anti Stigma Block Grant	\$ -	\$ 26,832
Jail Diversion Clinician	-	63,570
ACT - Peer Support Block Grant	19,925	-
ICCD Clubhouse Training Block Grant	6,300	-
Elderly Mental Health Block Grant	66,887	-
IS Development for Homeless Block Grant	3,298	-
Path Grant	57,270	49,560
Advance Directives Block Grant	7,300	-
SAS - Juvenile Justice	117,168	84,812
Port of Hopes Block Grant	6,989	9,134
Project Stay Block Grant	2,099	2,413
Recovery Training Grant	22,290	28,476
Community Foundation Car Seats	7,720	3,062
Homeless Peer Support Block Grant	-	12,434
Other	20,555	17,926
	<u>\$ 337,801</u>	<u>\$ 298,219</u>
<b>Institutional Care:</b>		
Caro Regional Mental Health Center	\$ 252,450	\$ 509,269
Mount Pleasant Regional Center	235,119	500,629
Kalamazoo	323	185,420
Hawthorne	875	-
County Institution Costs	105,033	147,613
	<u>\$ 593,800</u>	<u>\$ 1,342,931</u>

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## DETAILED SCHEDULE OF CONTRACT AGENCY EXPENDITURES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007 AND 2006

	2007	2006
Arc of St. Clair County -		
Work Activities Program	\$ 2,135,381	\$ 2,016,668
River District Adult Activities	453,708	428,568
Supported Employment	5,320	6,720
Consortium Agreement	14,850	14,850
Blue Water Center for Independent Living -		
Unit based fee for service	27,932	24,426
Blue Water Development Housing -		
Children's Waiver	61,889	33,372
Enhanced Home/Support Waiver	549,100	663,980
Living a Life in the Community	81,461	55,994
Home of My Own Support	346,056	65,904
Michigan Vocational Rehabilitation	50,000	50,000
Center for Human Resources	240,664	151,013
I.M.P.A.C.T. - Community Support		
Community Support	150,719	149,724
Living a Life in the Community	28,807	27,595
Innovative Housing Development Corporation -		
Community Living Supports	210,995	122,637
Home of My Own Support	7,078	17,288
Professional Counseling Center -		
Unit based fee for service	520,589	379,277
Home Based Services	833,513	724,432
Goodwill Industries	263,585	241,826
Individual Providers - H/SW	22,444	48,912
Probate Court - Public Guardian	39,329	39,329
Port of Hopes	141,963	136,363
Project Stay	71,613	62,638
Safe Horizons	23,856	11,736
Self Determination Fiscal Intermediaries	182,080	114,385
Horizon Residential Center	-	10,152
Touchstone -		
Psychosocial Rehabilitation	436,227	435,979
Rural Clubhouse	353,613	345,589
Tri-Hospital Ambulance	12,680	15,502
Visiting Nurses Association -		
Alzheimer's Program	142,587	85,379
Nor-Serv Group, Incorporated		
School Success Program	115,094	1,588
Outpatient Counseling	217,803	177,282
Out of County Services	484,832	237,605
Other	1,366	-

Continued



# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## DETAILED SCHEDULE OF CONTRACT AGENCY EXPENDITURES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Blue Water Developmental Housing, Inc. -		
Children's Crisis Home	\$ 349,877	\$ 280,937
Strawberry Lane Home - Blue Water House	288,957	291,738
Springborn	325,507	319,626
Stoneybrook	390,131	396,678
Semi-Independent - Tenth Street	312,532	283,573
Eunice Hayes Home	390,100	411,492
Maple Street	435,333	398,033
Oakleaf	437,076	437,570
Thornhill	420,051	396,759
I.M.P.A.C.T. -		
Crawford	322,054	338,501
Meisner	324,613	327,930
Simpson	424,322	403,583
Vine	409,403	393,386
Frith Road	314,117	305,002
Allen Road	362,772	301,644
Range Road	109,756	473,506
Michigan Road	385,684	381,024
River Bend	434,829	-
Innovative Housing Development Corporation -		
Lincoln	262,328	257,256
Roehl	369,046	350,129
Oak Street	298,266	277,215
Progression	305,220	308,765
Stone Creek	470,811	439,831
Abbottsford	503,664	445,566
Gibbons	330,917	320,701
Scott	282,525	288,770
Ponderosa	488,953	470,806
Mayfield	438,738	416,100
Ravenswood	325,826	323,111
	<u>18,740,542</u>	<u>16,935,945</u>
Foster Homes	<u>943,501</u>	<u>862,245</u>
Total Contract Agency Expenditures	<u><u>\$ 19,684,043</u></u>	<u><u>\$ 17,798,190</u></u>

Concluded

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## TRANSPORTATION EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Operations</u>	<u>Maintenance</u>	<u>General Admin.</u>	<u>Total System</u>
Labor -				
Operator's salaries and wages	\$ 173,637	\$ -	\$ -	\$ 173,637
Other salaries and wages	27,859	-	40,672	68,531
Fringe benefits	64,602	-	31,313	95,915
Services -				
Audit costs	-	-	-	-
Other services	2,488	-	-	2,488
Materials and Supplies Consumed -				
Fuel and lubricants	30,676	-	-	30,676
Tires and tubes	-	1,690	-	1,690
Other materials and supplies	-	15,683	1,291	16,974
Utilities	2,796	-	288	3,084
Casualty and Liability Costs -				
Other Insurance	14,594	-	-	14,594
Purchased Transportation Costs	343,308	-	-	343,308
Miscellaneous Expenses -				
Travel and Meetings	-	-	-	-
Other miscellaneous expenses	3,600	-	59,325	62,925
Leases & Rentals	6,215	-	-	6,215
Depreciation	<u>53,262</u>	<u>-</u>	<u>-</u>	<u>53,262</u>
	723,037	17,373	132,889	873,299
Less: Ineligible expenses				
Other Ineligible Expenses	<u>( 10,643)</u>	<u>-</u>	<u>-</u>	<u>( 10,643)</u>
Total Operating Expenses	<u>\$ 712,394</u>	<u>\$ 17,373</u>	<u>\$ 132,889</u>	<u>\$ 862,656</u>

**ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY**

**MILEAGE DATA (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Total Mileage</u>
Demand-Response	
1st. Quarter	55,839
2nd. Quarter	54,478
3rd. Quarter	61,723
4th. Quarter	<u>67,608</u>
	<u><u>239,648</u></u>

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## INTERNAL SERVICE FUNDS COMBINING SCHEDULE OF NET ASSETS SEPTEMBER 30, 2007

	PIHP Risk Corridor Financing	Building Fund	Total
<b>ASSETS</b>			
Deposit with County	\$ -	\$ 8,654,554	\$ 8,654,554
Due from primary government	-	15,934	15,934
Due from other funds	-	101,701	101,701
Restricted Assets -			
Investments	5,001,743	-	5,001,743
Capital assets, net of depreciation			
Assets not being depreciated	-	2,619,737	2,619,737
Assets being depreciated	-	2,601,035	2,601,035
Total Assets	<u>5,001,743</u>	<u>13,992,961</u>	<u>18,994,704</u>
<b>LIABILITIES</b>			
Current Liabilities -			
Accounts payable	-	19,721	19,721
Accrued payroll and payroll taxes	-	414	414
Accrued interest payable	-	3,360	3,360
Contracts and loan payable (current portion)	-	190,876	190,876
Long- Term Liabilities -			
Advance from other funds	-	2,022,534	2,022,534
Contracts payable	-	10,220,526	10,220,526
Loan payable	-	1,217,883	1,217,883
Total Liabilities	<u>-</u>	<u>13,675,314</u>	<u>13,675,314</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related liabilities	-	236,081	236,081
Restricted for Risk Corridor Financing	5,001,743	-	5,001,743
Unrestricted	-	81,566	81,566
Total Net Assets	<u>\$ 5,001,743</u>	<u>\$ 317,647</u>	<u>\$ 5,319,390</u>

**ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY**

**INTERNAL SERVICE FUNDS**

**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	PIHP Risk Corridor Financing	Building Fund	Total
<b>Operating Revenues:</b>			
Rent	\$ -	\$ 157,050	\$ 157,050
<b>Operating Expenses:</b>			
Other	-	100,849	100,849
Depreciation	-	52,842	52,842
	-	153,691	153,691
Operating Income	-	3,359	3,359
<b>Non-Operating Income (Expenses):</b>			
Transfers from other funds	-	209,206	209,206
Interest Revenues	250,548	178,320	428,868
Interest Expenses	-	( 296,759)	( 296,759)
	250,548	90,767	341,315
Net Income before capital contributions	250,548	94,126	344,674
<b>Capital Contributions</b>	-	196,000	196,000
Net Income	250,548	290,126	540,674
Net Assets at beginning of year	4,751,195	27,521	4,778,716
Net Assets at end of year	\$ 5,001,743	\$ 317,647	\$ 5,319,390

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## INTERNAL SERVICE FUNDS COMBINING SCHEDULE OF CASH FLOW FOR THE YEAR ENDED SEPTEMBER 30, 2007

	PIHP Risk Corridor Financing	Building Fund	Total
<b>Cash Flows From Operating Activities:</b>			
Cash receipts from interfund services	\$ -	\$ 113,813	\$ 113,813
Cash payments to employees/suppliers	-	( 80,714)	( 80,714)
Net Cash Provided by Operating Activities	-	33,099	33,099
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Transfers from other funds	-	209,206	209,206
Advances from other funds	-	445,476	445,476
Interest payments	-	( 293,399)	( 293,399)
Loan/note proceeds	-	11,635,526	11,635,526
Principal payments on loan	-	( 6,241)	( 6,241)
Change in deposit with County	-	( 8,654,554)	( 8,654,554)
Acquisition and construction of capital assets	-	( 3,547,433)	( 3,547,433)
Net Cash Used by Capital and Related Financing Activities	-	( 211,419)	( 211,419)
<b>Cash Flows From Investing Activities:</b>			
Purchase of investments	( 524,207)	-	( 524,207)
Interest Earned	250,548	178,320	428,868
Net Cash Used by Investing Activities	( 273,659)	178,320	( 95,339)
Net Decrease in Cash and Cash Equivalents for the year	( 273,659)	-	( 273,659)
Cash and Cash Equivalents at Beginning of Year	273,659	-	273,659
Cash and Cash Equivalents at End of Year	\$ -	\$ -	\$ -
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income	\$ -	\$ 3,359	\$ 3,359
Adjustments to reconcile operating income to net cash provided by operating activities-			
Depreciation	-	52,842	52,842
Changes in assets and liabilities:			
Due from other funds	-	58,464	58,464
Accounts payable and accruals		20,135	20,135
Due to other funds		( 101,701)	( 101,701)
Net Cash Provided By Operating Activities	\$ -	\$ 33,099	\$ 33,099
<b>Non Cash Capital and Related Financing Activities:</b>			
Capital contributions	\$ -	\$ 196,000	\$ 196,000

**ST. CLAIR COUNTY COMMUNITY  
MENTAL HEALTH AUTHORITY  
Port Huron, Michigan**

**SUPPLEMENTARY INFORMATION TO  
FINANCIAL STATEMENTS**

**(FEDERAL AWARDS)**

**FOR THE YEAR ENDED SEPTEMBER 30, 2007**



**ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY**

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**INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY FINANCIAL INFORMATION**

To the St. Clair County Community  
Mental Health Authority  
Port Huron, Michigan

We have audited the basic financial statements of the St. Clair County Community Mental Health Authority as of and for the year ended September 30, 2007. Those financial statements are the responsibility of the St. Clair County Community Mental Health Authority's management. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of St. Clair County Community Mental Health Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the St. Clair County Community Mental Health Authority taken as a whole. The Schedule of Expenditures of Federal Awards presented on page 5 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations and is not a required part of the basic financial statements. The information in this schedule has been subject to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Certified Public Accountants

May 16, 2008



**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the St. Clair County Community  
Mental Health Authority  
Port Huron, Michigan

We have audited the financial statements of the St. Clair County Community Mental Authority, as of and for the year ended September 30, 2007, and have issued our report thereon, dated May 16, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered St. Clair County Community Mental Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider a material weakness, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Clair County Community Mental Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

This report is intended solely for the information and use of the management and Board of St. Clair County Community Mental Authority and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

May 16, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

To the St. Clair County Community Mental  
Health Authority  
Port Huron, Michigan

**Compliance**

We have audited the compliance of St. Clair County Community Mental Health Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2007. St. Clair County Community Mental Health Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of St. Clair County Community Mental Health Authority's management. Our responsibility is to express an opinion on St. Clair County Community Mental Health Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about St. Clair County Community Mental Health Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on St. Clair County Community Mental Health Authority's compliance with those requirements.

In our opinion, St. Clair County Community Mental Health Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2007.

**Internal Control Over Compliance**

The administration of St. Clair County Community Mental Health Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered St. Clair County Community Mental Health Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Authority's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of deficiencies that results in more than remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the district's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management and the Board of the St. Clair County Community Mental Health Authority, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

May 16, 2008

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2007

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<b>Passed Through Blue Water Area Transportation Commission:</b>			
Public Transportation for Nonurbanized Areas	20.509	N/A	\$ 70,393
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>			<u>70,393</u>
<b>U.S. DEPARTMENT OF EDUCATION:</b>			
<b>Passed Through the Local Intermediate School District:</b>			
Infants and Toddlers with Disabilities	84.181		
Early On Program		N/A	125,215
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>125,215</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
<b>Passed Through the Michigan Department of Community Health:</b>			
Substance Abuse and Mental Health Administration Center for Mental Health Services	93.150		
Outreach Homeless Project		20031283	46,600
MiChild	93.767	N/A	23,913
Medical Assistance Program - (Medicaid; Title XIX)	93.778		
Omnibus Budget Reconciliation Act		N/A	112,142
Block Grants for Community Mental Health Services	93.958		
Juvenile Justice Diversion		20051043	68,083
Advance Directives Training		20051043	7,231
Elderly MI Accessibility		20051043	61,245
Project Stay		20051043	2,099
ICCD Training		20051043	6,300
Port of Hopes Drop In Center		20051043	6,989
Recovery Training		20051043	13,456
ACT Peer Support		20051043	19,441
Information System Development for Coordination of Services for the Homeless		20051043	3,298
Co-Occurring Disorders Initiative		20051043	61,129
Co-Occurring Disorders Enhancement		20051043	58,497
Anti-Stigma		20051043	52,462
			<u>360,230</u>
Total Passed Through Michigan Department of Community Health			<u>542,885</u>
<b>Passed Through the Thumb Regional Substance Abuse Services Coordinating Agency:</b>			
Substance Abuse and Mental Health Services	93.243	N/A	56,381
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>599,266</u>
Total Expenditures of Federal Awards			<u>\$ 794,874</u>

See Notes to Schedule of Expenditures of Federal Awards

**ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of St. Clair County Community Mental Health Authority's operating fund and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 - RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

Financial Statements –	
Total Federal/State Revenues	\$ 72,448,353
Less:	
State Sources	( 71,723,872)
Add: Federal portion from Blue Water Area Transportation Commission classified as local sources on financial statements	<u>70,393</u>
Total Expenditures of Federal Awards	<u>\$ 794,874</u>

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2007

### Section I - Summary Of Auditor's Results:

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal controls over financial reporting:  
Material weakness(es) identified? \_\_\_\_\_ yes      x   no  
Reportable condition(s) identified not  
considered to be material weaknesses? \_\_\_\_\_ yes      x   none reported

Noncompliance material to financial  
statements noted? \_\_\_\_\_ yes      x   no

#### Federal Awards

Internal Control over major programs:  
Material weakness(es) identified? \_\_\_\_\_ yes      x   no  
Reportable condition(s) identified not  
considered to be material weaknesses? \_\_\_\_\_ yes      x   none reported

Type of auditor's report issued on compliance  
for major programs: Unqualified

Any audit findings disclosed that are required to  
be reported in accordance with Circular A – 133,  
Section 510(a)? \_\_\_\_\_ yes      x   no

#### Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA #93.958	Block Grants for Community Mental Health Services

Dollar threshold used to distinguish  
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   x   yes    \_\_\_\_\_ no

### Section II - Financial Statement Findings:

There were no financial statement findings.

### Section III - Federal Award Findings and Questioned Costs:

There were no Federal Award Findings and Questioned Costs required to be reported by Section 510(a) of OMB Circular A-133.

### Schedule IV - Prior Year Findings:

There were no prior year findings.